



0000032966

Arizona Corporation Commission  
**BEFORE THE ARIZONA CORPORATION COMMISSION**  
**DOCKETED**

1  
2 JIM IRVIN  
Commissioner - Chairman  
3 TONY WEST  
Commissioner  
4 CARL J. KUNASEK  
Commissioner  
5

MAY 13 1999

DOCKETED BY

6 IN THE MATTER OF THE APPLICATION OF )  
DUNCAN RURAL SERVICE CORPORATION )  
7 TO AMORTIZE THE PURCHASED GAS )  
ADJUSTOR BANK BALANCE )  
8 )  
9

DOCKET NO. G-00000C-98-0568

DECISION NO. 61700ORDER

10 Open Meeting  
May 11 and 12, 1999  
11 Phoenix, Arizona

12 BY THE COMMISSION:

13 FINDINGS OF FACT

14 1. Duncan Rural Service Corporation (Duncan) is engaged in providing natural gas within  
15 portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.

16 2. On April 21, 1999, Duncan filed for Commission approval of the amortization of its  
17 purchased gas adjustor (PGA) bank balance as of February 28, 1999. This filing by Duncan is in  
18 response to the Commission Decision No. 61225 (October 30, 1998), which ordered most Arizona  
19 local distribution companies (LDCs) to implement a new 12-month rolling average PGA mechanism  
20 on June 1, 1999.

21 3. The general framework of the new PGA mechanism came out of a series of meetings of  
22 the Purchased Gas Adjustor Design working group in the summer of 1998.

23 4. The new 12-month rolling average PGA mechanism was implemented to address issues  
24 including natural gas price volatility, gas cost recovery flexibility, and uniformity between PGA  
25 mechanisms.

26 5. After the Commission issued Decision No. 61225, Staff, the LDCs, and other interested  
27 parties met several times to discuss various implementation issues.

28 ...

1        6.    Decision No. 61225 contemplated the freezing of the bank balance accrued under t'  
2 existing PGA mechanism, and the amortization of the under- or over-collection reflected in the  
3 existing bank balance. This would enable the new PGA mechanism to begin with a bank balance of  
4 zero. Zeroing out the bank balance is necessary because interest will be applied to the new bank  
5 balance, but not the frozen bank balance.

6        7.    As of February 28, 1999, Duncan's bank balance is undercollected by \$40,616.52.

7        8.    In its filing, Duncan proposes to amortize this bank balance over a 12-month period,  
8 resulting in an amortization rate of \$0.06221 per therm, based upon annual sales of 652,860 therms.  
9 This amortization rate would be applied to customer bills until the first month in which the frozen  
10 bank balance is fully amortized, at which time the amortization rate would be discontinued.

11       9.    Any money recovered beyond that required to amortize the frozen bank balance would  
12 be credited to the new bank balance.

13       10.   Given the changes being made in the PGA mechanism, a phase-in could be needed to  
14 transition from Duncan's currently effective PGA rate to the new rolling average PGA rate.  
15 determine whether a phase-in is needed, it is necessary to compare the total cost of gas currently  
16 reflected in Duncan's rates with the total cost of gas to be reflected on customer bills beginning on June  
17 1, 1999. Components of the total cost of gas include the base cost of gas, the PGA rate, and if  
18 applicable, an amortization rate for the bank balance.

19       11.   A phase-in would be necessary if there was a sizable difference between the current total  
20 cost of gas and the June 1<sup>st</sup> total cost of gas.

21       12.   The exact total cost of gas for June 1<sup>st</sup> will not be known until late May, when Duncan  
22 finalizes the most recent gas cost information. However, as part of the April 12<sup>th</sup> filing, Duncan  
23 provided the actual 12-month cost of gas through the end of February 1999.

24       13.   For the purpose of determining whether a phase-in is necessary, the February 1999 12-  
25 month cost of gas is expected to be sufficiently close to the June 1<sup>st</sup> 12-month cost of gas. Duncan's  
26 12-month average cost of gas at the end of February 1999 is \$0.2860 per therm.

27 ...

28 ...

14. The table below shows the current total cost of gas and the estimated total cost of gas for June 1<sup>st</sup>.

	Current Cost of Gas	Estimated Cost of Gas For June 1 <sup>st</sup>
Base Cost of Gas	\$0.2912 per therm	\$0.2912 per therm
Bank Balance Amortization	0	\$0.06221 per therm
PGA Rate	\$0.05172 per therm	-\$0.0052 per therm
Total Cost of Gas	\$0.34292 per therm	\$0.34821 per therm

15. The estimated change in the total cost of gas is \$0.00529 per therm. Given this small change, a phase-in is not necessary.

16. After the freezing of the bank balance at the end of February 1999 and the implementation of the new PGA mechanism in June 1999, the LDCs will experience over and/or under-recoveries of gas costs. To account for these over and under-collections, monthly over and under-collections incurred by Duncan after the bank balance is frozen at the end of February 1999 would be included in the new bank balance.

17. Staff believes that the proposed amortization rate of \$0.06221 per therm is reasonable and should be adopted.

18. Staff has recommended approval of this filing.

#### CONCLUSIONS OF LAW

1. Duncan is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over Duncan and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated April 30, 1999, concludes that it is in the public interest to approve the filing.

ORDER

THEREFORE, IT IS ORDERED that the filing be and hereby is approved.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

**BY ORDER OF THE ARIZONA CORPORATION COMMISSION**  
\_\_\_\_\_  
COMMISSIONER - CHAIRMAN

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. MCNEIL,  
Executive Secretary of the Arizona Corporation  
Commission, have hereunto, set my hand and caused the  
official seal of this Commission to be affixed at the  
Capitol, in the City of Phoenix, this 13<sup>th</sup> day of  
May, 1999.

  
\_\_\_\_\_  
BRIAN C. MCNEIL  
Executive Secretary

DISSENT: \_\_\_\_\_

RTW:BGG:sjs\JMA

Decision No. 61700